

TAXTEAM TALK

THIS ISSUE AT A GLANCE

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PROVISIONAL TAX DUE DATE CHANGES

The provisional tax due dates have been changed. The 2009 provisional tax due dates are 28 November 2008, 28 March 2009 and 28 July 2009.

Contact TEAM...
PO Box 44
WELLINGTON
Tel: 04 494 2390
Fax: 04 494 2399

INTRODUCTION

Welcome to another tax newsletter from Toovey Eaton & Macdonald Ltd ("TEAM"). Once again we set out a number of tax changes and points of interest for local authorities.

This November TEAM will have been in business for six years. Recently we undertook a strategic planning process to reflect on what we had achieved to date and what we wanted TEAM to achieve in the future. A key component of this was to agree on our purpose, which is "Focused and applied tax services for organisations that matter." Focused, as in understanding your business environment; and 'applied' as in practical solutions. And given TEAM has an almost exclusive public sector focus, it is obvious which organisations matter to us! Again, we would like to thank our local authority clients for their continued support.

DONATION DEDUCTIONS

As many of you will be aware, the Inland Revenue Department ("IRD") has recently disputed whether local authorities are able to claim income tax deductions for donations made to charitable organisations. We are pleased to advise that the IRD have now accepted the contention promulgated by TEAM and others that an entitlement to claim deductions for donations is available.

However, great care is still required. The payment must be a true donation (not a payment for service), the recipient must be a charity registered with the Charities Commission (or an approved donee) and of course – don't forget the gift duty ramifications!

PROPOSED CHANGES TO GST

The IRD has published an Issues Paper proposing several important changes aimed at strengthening GST neutrality for business-to-business transactions. The proposals will, should they proceed, be very relevant to your organisation.

For example, the going concern rules could be removed, along with the current option of requesting IRD approval to set-off the supplier's output liability against the purchaser's input liability on large transactions. In their place, a domestic reverse charge (where a registered purchaser makes both output and input tax claims in its own return) is proposed. This may extend to:

- Going concern transactions;
- Transactions over \$50M between two registered parties and
- Improved and unimproved land transactions between two registered parties, irrespective of value.

In the case of land transactions, GST neutrality could be protected by a caveat, which would only be removed once the IRD releases it.

Further proposals include amending the already complex rules around change of use adjustments.

Overall, the aim of the changes is very positive. However, without careful consideration of the practicalities involved, they could potentially make matters worse and increase compliance costs. Accordingly, if you would like a copy of the issues paper, to discuss the proposals and/or if you would like to support our submissions, please contact us before 8 August 2008. Submissions close on 11 August 2008.

TAX POOLING TO INCLUDE GST, FBT AND PAYE

Currently, tax pooling is used by provisional taxpayers to help minimise the costs associated with use of money interest ("UOMI"). Present UOMI rates are 14.24% for tax underpaid and 6.66% for tax overpaid. Tax pooling intermediaries generally offer more attractive financing rates than the UOMI rates. The July tax bill proposes an amendment to the tax pooling rules to include GST, FBT and PAYE, in certain circumstances. The widening of the rules will now allow taxpayers to use excess tax pooling funds to pay GST, FBT or PAYE liabilities for periods where a reassessment has occurred. This is possible whether the liability has arisen as the result of an audit or by voluntary disclosure. Currently, taxpayers who have voluntarily disclosed errors are still exposed to high UOMI costs, especially if the error occurred some time ago. If you are interested in tax pooling, please contact us for further details.

TEAM'S TOP 10 TAX PLANNING TIPS

With the start of the new financial year, it is an opportune time to think about tax planning. Listed below are TEAM's 'top 10' planning tips for you to tick off.

1. Check tax accounting disclosures and file income tax returns quickly thereafter	<input type="checkbox"/>
2. Review group structure for continued tax efficiency	<input type="checkbox"/>
3. Undertake a tax compliance review	<input type="checkbox"/>
4. Review property transactions for GST savings	<input type="checkbox"/>
5. Consider establishing a charitable collection trust	<input type="checkbox"/>
6. Review tax efficiency of remuneration structure	<input type="checkbox"/>
7. Ensure tax policies established and foster tax risk management protocols	<input type="checkbox"/>
8. Consider potential research and development expenditure tax credits	<input type="checkbox"/>
9. Assemble records for refunds of PAYE/FBT on relocation expenditure	<input type="checkbox"/>
10. Ensure compliance with charities registration requirements	<input type="checkbox"/>

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